

Message Text

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TO SECSTATE WASHDC 1606

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LIMDIS

E.O. 11652: XGDS

TAGS: ENRG

SUBJECT: WORLD ENERGY SITUATION

1. IN LUNCHEON CONVERSATION WITH CHARGE AND ECON/COM
MINISTER YESTERDAY, HAROLD LEVER SET FORTH HIS VIEWS ON
WORLD ENERGY SITUATION AND NEED FOR AGREEMENT WITH OPEC
COUNTRIES, WHICH ARE SUBSTANTIALLY THE SAME AS THOSE
REPORTED IN PAST. IN A NUTSHELL, LEVER THINKS CARTEL
PRICE OF OIL COULD GO MUCH HIGHER ON BASIS OF ECONOMIC
FACTORS, PRICE IS NOW INHIBITED MAINLY BY CONCERN THAT
CONSUMER NATIONS COULD TAKE MILITARY ACTION, OPEC CARTEL
WILL NOT FALL APART, AND, IN NEXT FEW YEARS, TIME IS
NOT ON OUR SIDE. HE BELIEVES IT IS IN INTEREST OF
CONSUMER COUNTRIES TO SEEK CONTRACTUAL ARRANGEMENT WITH
PRODUCERS (WHILE THEY HAVE BEEN WILLING TO IGNORE AND
OVERRIDE CONTRACTUAL RIGHTS OF OIL COMPANIES, THEY
WOULD NOT DO SO WITH GOVERNMENTS) AND THIS CAN ONLY BE
OBTAINED WITH PRICE INDEXATION AGREEMENT. HE THINKS
SUCH AGREEMENT, EVEN ON BASIS OF PRESENT PRICE LEVEL,
WILL MEAN LOWER PRICE OVER NEXT FEW YEARS THAN LETTING
EVENTS TAKE THEIR COURSE WITHOUT AGREEMENT. HE WELCOMES
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US WILLINGNESS TO TALK ON OTHER COMMODITIES AS OPENING

WAY FOR DIALOGUE.

2. LEVER IS LUNCHING WITH CHANCELLOR SCHMIDT IN BONN THURSDAY JUNE 5 AND INTENDS TO TRY OUT THESE VIEWS ON HIM. HE ACKNOWLEDGES VIEW ON INDEXATION IS NOT UK POSITION, BUT SAYS HE WILL BE SETTING IT FORTH WITH KNOWLEDGE AND APPROVAL OF PRIME MINISTER WILSON. HE EXPECTS BRITISH AMBASSADOR AND PROBABLY STAFF MEMBER TO BE PRESENT AT LUNCHEON.

3. LEVER SAID HE HAD IMPRESSION US HAD MOVED CLOSE TO OPEN MIND ON INDEXATION A COUPLE OF MONTHS AGO BUT WONDERED IF WE WERE NOW BACKING OFF. WE SAID WE DID NOT KNOW, BUT NOTED THAT MUCH WOULD DEPEND ON APPRAISAL OF OPEC INTENTIONS AND ABILITY TO STICK TOGETHER.

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